

Message Text

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PAGE 01 LONDON 19656 01 OF 02 231606Z

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ACTION EB-07

INFO OCT-01 EUR-12 ISO-00 AGR-05 CEA-01 CIAE-00 COME-00

DODE-00 FRB-03 H-02 INR-07 INT-05 L-03 LAB-04 NSAE-00

NSC-05 PA-01 AID-05 CIEP-01 SS-15 STR-04 TAR-01

TRSE-00 USIA-06 PRS-01 SP-02 FEAE-00 OMB-01 IO-10

XMB-02 /104 W

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R 231559Z DEC 75

FM AMEMBASSY LONDON

TO SECSTATE WASHDC 7642

INFO USMISSION EC BRUSSELS

LIMITED OFFICIAL USE SECTION 01 OF 02 LONDON 19656

E.O. 11652: N/A

TAGS: ETRD, UK, EEC

SUBJECT: UK TARIFF TREATMENT OF KRAFT LINERBOARD

REF: STATE 281816

1. THE ESSENTIAL UKG POSITION TO DATE IS THE FOLLOWING. HM CUSTOMS HAS CONCLUDED THAT US KRAFT LINERBOARD HAS APPARENTLY BEEN IMPORTED INTO THE UK FOR SOME YEARS UNDER AN INCORRECT TARIFF CLASSIFICATION AND ALL THAT WAS DONE BY THEIR OCTOBER ACTION INCREASING TARIFFS WAS TO CORRECT AN ERROR OF CLASSIFICATION. DEPARTMENT OF TRADE, WHICH HAS ULTIMATE RESPONSIBILITY FOR THIS MATTER, HAS RECEIVED FULL PRESENTATION OF US POSITION AND IS ATTEMPTING TO GIVE US AT LEAST AN INITIAL RESPONSE ABOUT CHRISTMAS TIME.

2. SINCE RECEIVING REFTL, EMBASSY HAS HAD A SERIES OF MEETINGS WITH HM CUSTOMS AND DEPARTMENT OF TRADE OFFICIALS TO CLARIFY FACTUAL SITUATION AND PRESS OUR
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PAGE 02 LONDON 19656 01 OF 02 231606Z

CASE THAT UK IMPOSITION OF HIGHER DUTY ON US KRAFT

LINERBOARD BREAKS A LONGSTANDING CLASSIFICATION PRACTICE AND SERIOUSLY IMPAIRS A SPECIFIC EC CONCESSION REACHED AS PART OF ARTICLE 24:6 SETTLEMENT. EMBASSY DISCUSSIONS WITH DR. MEISTER OF API WERE PARTICULARLY USEFUL IN PROVIDING BACKGROUND ON ISSUE. MEISTER ASSISTED WITH TECHNICAL ASPECTS OF PRESENTATION DURING TUO OFFICIAL CALLS.

3. HM CUSTOMS AUTHORITIES HAVE TAKEN THE POSITION THAT US KRAFT LINERBOARD HAD BEEN ENTERING THE UK UNDER THAT PART OF TARIFF CLASSIFICATION HEADING 48.01 C II WHICH IS RESERVED FOR KRAFT LINERBOARD "MANUFACTURED WHOLLY OF UNBLEACHED, UNDYED SULPHATE CELLULOSE FIBER" AND CHARGED 10.6 PER CENT RATE RATHER THAN ENTERING CORRECTLY UNDER THAT PART OF 48.01 C II FOR "OTHER" KRAFT LINERBOARD WHICH IS CHARGED THE HIGHER RATE OF 13.8 PER CENT.

4. AS JUSTIFICATION FOR CHANGING TO HIGHER RATE, HM CUSTOMS OFFICIALS SAID THAT UNDER THEIR STANDARD PROCEDURES SAMPLES OF US KRAFT LINERBOARD WERE TAKEN IN APRIL 1975 AND FOUND TO BE IN THE APPROXIMATE RANGE OF 85-95 PER CENT UNBLEACHED, UNDYED SULPHATE CELLULOSE FIBER. THEY CONSIDER THESE FINDINGS TO BE WELL BEYOND THE 1-2 PER CENT TOLERANCE THEY NORMALLY APPLY AND CLEARLY NOT "WHOLLY" OF THE REQUIRED MATERIAL. AS A RESULT, HM CUSTOMS BEGAN IN OCTOBER 1975 TO ASSESS US KRAFT LINERBOARD AT THE "OTHER" RATE OF 13.8 PER CENT. A TYPE OF STAIN TEST IS USED TO CHECK LINERBOARD SAMPLES AND WE HAVE BEEN PROMISED MORE TECHNICAL DETAILS IN THE SPECIFIC TEST EMPLOYED.

5. HM CUSTOMS HAVE DECIDED THAT NO LATITUDE IS AVAILABLE TO THEM BECAUSE US KRAFT LINERBOARD WAS OBVIOUSLY NOT "WHOLLY" OF THE REQUIRED MATERIAL. IN SUM, THEY CLAIM TO BE CORRECTING A CLASSIFICATION ERROR.

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PAGE 01 LONDON 19656 02 OF 02 231604Z

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ACTION EB-07

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DODE-00 FRB-03 H-02 INR-07 INT-05 L-03 LAB-04 NSAE-00

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R 231559Z DEC 75

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LIMITED OFFICIAL USE SECTION 02 OF 02 LONDON 19656

6. EMBASSY PARALLELED CUSTOMS DEMARCHE WITH PRESENTATION OF OUR CASE TO DEPARTMENT OF TRADE. FULL BRIEF WAS GIVEN ALONG LINES REFTEL AND STRONGEST EMPHASIS WAS PLACED ON THE UK'S IMPAIRMENT OF AN EC CONCESSION REACHED IN ARTICLE 24:6 SETTLEMENT. MOST RECENTLY, EC MIN RAISED ISSUE WITH UNDER SECRETARY KNIGHTON, DEPARTMENT OF TRADE. OFFICIALS SAID THEY WILL TRY TO HAVE AT LEAST AN INITIAL RESPONSE ABOUT CHRISTMAS TIME. DEPARTMENT OF TRADE OFFICIALS ARE FULLY AWARE OF THE DIFFICULT NEGOTIATIONS REQUIRED TO REACH THE 24:6 AGREEMENT AND CAN BE EXPECTED TO APPROACH OUR COMPLAINT WITH SENSITIVITY FOR THE BROADER IMPLICATIONS OF THIS ISSUE.

7. TO EMBASSY'S KNOWLEDGE NO UK IMPORTERS OF US KRAFT LINERBOARD HAVE FILED A FORMAL APPEAL WITH HM CUSTOMS. THEY ARE PAYING THE HIGHER DUTY, BUT UNDER PROTEST.
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PAGE 02 LONDON 19656 02 OF 02 231604Z

8. PENDING UIG RESPONSE, EMBASSY BELIEVES IT PREFERABLE NOT TO INITIATE ANY ACTION WITH COMMISSION IN BRUSSELS.

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